

MAXIMUS

California Healthy Families Project

Internal Audit Report Capitation and Enrollment

July 1, 2009 to April 30, 2010

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SECTION ONE

Internal Auditor's Report

SECTION ONE – INTERNAL AUDITOR’S REPORT

Report by Lurie Besikof Lapidus & Company, LLP

Mr. Bruce Caswell, President, MAXIMUS Operations Group
Reston, Virginia

MAXIMUS acts as the administrative contractor for the California Healthy Families program and the Access for Infants & Mothers (AIM) program (the Project) under contract 02MHF026 with the State of California Managed Risk Medical Insurance Board (MRMIB).

We have examined the Project's compliance with the specified requirements listed under the heading Assertions (requirements) in Section Two during the period July 1, 2009 through April 30, 2010. Management is responsible for the Project's compliance with those requirements. Our responsibility is to express an opinion on the Project's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Project's compliance with the specified requirements.

In our opinion, the Project complied, in all material respects, with the aforementioned requirements for the period July 1, 2009 through April 30, 2010.

Because of inherent limitations in any internal control structure, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This report is intended solely for the information and use of the management of MAXIMUS, the Project management, the MRMIB, and the auditors of the State of California and is not intended to be and should not be used by anyone other than those specified parties.

Lurie Besikof Lapidus & Company, LLP
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May 14, 2010

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SECTION TWO

Executive Summary

SECTION TWO – EXECUTIVE SUMMARY

Overview

This report summarizes the results of testing procedures related to our internal audit assistance of the capitation and enrollment processing, stated controls, and procedures performed by the Project during the period July 1, 2009 through April 30, 2010. The report includes any exceptions noted during the testing procedures of the Project's processing of capitation and enrollment. The report also provides any recommendations to improve the controls around the processing of capitation and enrollment.

Our testing relied on statistical sampling of participant applications to discover any exceptions to the capitation and enrollment processing (note that some testing made use of 100% re-computation where practical – these areas are noted). Our tests resulted in the exceptions summarized below. However, based on the low percentage error rate, we feel that the Project's capitation and enrollment controls in place during the period July 1, 2009 through April 30, 2010, are producing the desired processing and monitoring results.

Internal Audit Assistance Tests Performed

Our procedures were designed to assess the Project's capitation processing, reporting (including funding split), and eligibility determination. All testing was designed to determine the Project's compliance under the contract with the MRMIB.

Assertions

The following are the assertions tested based on the contract provisions:

- **Capitation:**
The system is computing the correct amount of capitation based upon the rate tables provided by the MRMIB. Rate determinations are based upon:
 - participant age category,
 - participant county of residence,
 - plan selection, and
 - period of coverage.
- **Allowable Funding for the Program:**
The amounts reported to the MRMIB are correctly allocated and summarized based upon the abortion supplement (allowable funding).
- **Eligibility Determination/Enrollment Testing:**
 - Capitated participants are eligible for participation in the program;
 - Information provided in the 820 capitation files corresponds to the information contained in the case management system;
 - Where recoupments have been performed, they were needed and correctly computed; and
 - Birth outcomes are correctly documented in the participant case file triggering the capitation for the mother in AIM. (Additionally, AIM birth outcomes were tested for the period from July 1, 2009 through April 30, 2010).

Sampling Method

Where sampling was performed, a random selection algorithm was utilized. The sample quantity selected assumed finite populations where appropriate and available, infinite populations where appropriate, a 95% confidence level, a 2% expected error rate in the population (based on a conservative historic rate), and a 5% error rate in sampling and testing.

Results

Health Plan Capitation

One (1) HFP exception was noted with two (2) instances where recoupments were not properly initiated. The two (2) errors in a population of 1,731,083 results in an error rate of 0.000115%.

No exceptions were noted for AIM capitation.

MAXIMUS Response:

Per Policy Letter 07-02, MRMIB directed MAXIMUS to avoid dual coverage for AIM-linked babies. Due to a low number of retro-enrollments for AIM babies and the eligibility gaps and plan coverage differences between the HFP and Medi-Cal programs, the HFP capitation for retro-enrollment of AIM-linked babies, including recoupment, is inserted manually.

The identified capitation discrepancies were a result of recoupment not being properly inserted during the capitation process.

Problem Statement #67628 has been generated to enhance the process of manual insertion and for corrective/preventive action plans. A statistically valid sample of capitation files is reviewed by Quality Assurance on a monthly basis, showing 100% accuracy for the last twelve (12) months.

AIM Birth Outcome Capitation

One (1) exception with three (3) instances (0.25% of the 394 participants disenrolled) were noted where lump sum birth outcome capitation had not been made.

- One (1) case where the birth outcome had not been reported, but the participant had reached the 60th day past the Expected Delivery Date (EDD). The participant was disenrolled without lump sum capitation.
- Two (2) cases where a miscarriage occurred after the 1st trimester (13th week), but the lump sum capitation had not occurred.

MAXIMUS Response:

One (1) error for the birth outcome occurred when the outcome was reported by the participant but the process was not completed in the birth outcome screen. Problem Statement #67629 has been generated for corrective/preventive action plans, which include evaluating the effectiveness of the procedures to improve performance as well as enhancing the current process.

As for the two (2) cases where the lump sum capitation had not occurred for a miscarriage after the first trimester, the incorrect first trimester calculation in the capitation logic caused the error. Prior to the audit, the capitation logic error was discovered through the internal QC process. To address the logic error, CAR #48418 was created. It is currently pending verification in production. The target completion date for the Post Implementation Review is August 27, 2010.

SECTION THREE

Scope and Objective

SECTION THREE – SCOPE AND OBJECTIVE**Scope of the Internal Audit**

The scope of testing related to our internal audit assistance was the Project's stated assertions listed in Section Two above and included procedures developed to adequately test the compliance with the assertions during the period July 1, 2009 through April 30, 2010 related to capitation, funding split, and enrollment eligibility.

Objective

The overall objective this engagement was to assist in verifying that the Project's stated controls and procedures to ensure that the rules set out by the contract with the MRMIB regarding the capitation, funding split, and enrollment eligibility processes were implemented and operational during the period July 1, 2009 through April 30, 2010. In addition, the objective also included assistance in verifying procedures/controls exist ensuring a lump sum capitation was performed for appropriate birth outcomes during the period of July 1, 2009 through April 30, 2010.

SECTION FOUR

Results

SECTION FOUR – RESULTS

Components Tested	Procedures Performed by the Auditor	Results of Tests/Notes
<p>1. HFP and AIM Health plan Capitation Testing</p> <p>The system is computing the correct amount of capitation based upon the rate tables provided by the MRMIB. Rate determinations are based upon:</p> <ul style="list-style-type: none"> • participant age category, • participant county of residence, • plan selection, and • period of coverage. 		
<p>1.1 The system is computing the correct amount of capitation based upon the rate tables provided by the MRMIB.</p>	<ul style="list-style-type: none"> • Performed detailed testing (100% re-computation): <ul style="list-style-type: none"> ▪ Obtained the 820 files for the period from July 1, 2009 through April 30, 2010. ▪ Obtained the county number table. ▪ Obtained the capitation rates tables used to compute the capitation amounts. ▪ Re-computed capitation for the health plans independently from the system using generalized audit software tools. 	<p>Performed detailed testing for both HFP and AIM capitation as detailed below.</p> <p>Obtained one million seven hundred thirty-one and eighty-three (1,731,083) HFP capitation records and thirteen thousand five hundred and nine (13,509) AIM capitation records without exception. All records were imported into generalized audit software utilizing macros.</p> <p>Obtained without exception.</p> <p>Obtained without exception.</p> <p>Inspected the HFP and AIM Capitation Business Rules then recomputed 100% of HFP and AIM health plan capitation without exception.</p>

Components Tested	Procedures Performed by the Auditor	Results of Tests/Notes
	<ul style="list-style-type: none"> Compared the capitation amounts computed independently to those computed by the system and reported in the 820 files for the period. 	<p>Compared both the HFP and AIM capitation amounts computed and noted the following exception:</p> <ul style="list-style-type: none"> One (1) HFP exception with two (2) instances where recoupments were not properly initiated. Two (2) errors in a population of 1,731,083 producing an error rate of 0.000115%. No exceptions noted for AIM capitation. <p>MAXIMUS Response: Per Policy Letter 07-02, MRMIB directed MAXIMUS to avoid dual coverage for AIM-linked babies. Due to a low number of retro-enrollments for AIM babies and the eligibility gaps and plan coverage differences between the HFP and Medi-Cal programs, the HFP capitation for retro-enrollment of AIM-linked babies, including recoupment, is inserted manually.</p> <p>The identified capitation discrepancies were a result of recoupment not being properly inserted during the capitation process.</p> <p>Problem Statement #67628 has been generated to enhance the process of manual insertion and for corrective/preventive action plans. A statistically valid sample of capitation files is reviewed by Quality Assurance on a monthly basis, showing 100% accuracy for the last twelve (12) months.</p>

Components Tested	Procedures Performed by the Auditor	Results of Tests/Notes
2. Allowable Funding for the Program Testing		
<ul style="list-style-type: none"> The amounts reported to the MRMIB are correctly allocated and summarized based upon the abortion supplement (allowable funding). 		
2.1 The amounts reported to the MRMIB are correctly allocated and summarized based upon the abortion supplement (allowable funding).	<ul style="list-style-type: none"> Obtained the “Funding Split” reports provided to the MRMIB for the monthly payment of capitation Re-computed the abortion rate supplement using a random number of plans for a random number of months producing a statistically valid selection. Compared the recomputed abortion supplement to that included in the “Funding Split” provided to the MRMIB for the appropriate plan and month. 	<p>Obtained without exception.</p> <p>A statistical sample of twenty-one (21) month/health plan combinations were selected from a finite population of sixty-six (66) month/health plan combinations without exception. Recomputed the abortion rate supplement without exception.</p> <p>Compared the abortion rate supplement without exception.</p>
3. Recoupments Testing		
3.1 Where recoupments have been performed, they were needed and correctly computed. The amounts reported to the MRMIB are correctly allocated and summarized based upon the abortion supplement (allowable funding) and the participant's legal immigration status.	<ul style="list-style-type: none"> Obtained 100% of the 820 files (Payment Order and Credit Advice) for the period July 1, 2009 through April 30, 2010. Verified the recoupments with the case file to assure the recoupment had been computed and performed correctly. 	<p>Obtained without exception.</p> <p>Verified 100% of the recoupments without exception.</p>

Components Tested	Procedures Performed by the Auditor	Results of Tests/Notes
<p>4. HFP Enrollment Testing</p> <ul style="list-style-type: none"> • Capitated participants are eligible for participation in the program; • Information provided in the 820 capitation files corresponds to the information contained in the case management system; and • Where recoupments have been performed, they were needed and correctly computed. 		
<p>4.1 Capitated participants are eligible for participation in the program. Information provided in the 820 capitation files corresponds to the information contained in the case management system.</p>	<ul style="list-style-type: none"> • Selected a statistically valid sample from the 820 files (Payment Order and Credit Advice) for the period July 1, 2009 through April 30, 2010 (the capitation eligibility sample). • For the capitation eligibility sample, traced the detailed participant information to the enrollment form image retained in the system. Attributes examined included: <ul style="list-style-type: none"> ▪ Age on application agrees to 820 age category code; ▪ County of residence agrees to 820 county code; ▪ Income and family size on the application qualify participant for HFP; ▪ Plans selected per application or other documentation agree to the appropriate 820 capitation files; and ▪ Citizenship or immigration documentation is appropriately stored in the case file. • Verified eligibility by manually calculating eligibility based on the information contained on the application form. 	<p>A statistical sample of thirty (30) records were selected from the capitation tables with a population of one million seven hundred thirty thousand and five hundred fifty-two (1,730,552) without exception.</p> <p>Traced and inspected the sample noting the presence of appropriate documentation and completed application without exception.</p> <p>Verified the eligibility determination was correct for the selected sample without exception.</p>

Components Tested	Procedures Performed by the Auditor	Results of Tests/Notes
5. AIM Enrollment Testing <ul style="list-style-type: none"> • Capitated participants are eligible for participation in the program; • Information provided in the 820 capitation files corresponds to the information contained in the case management system; • Where recoupments have been performed, they were needed and correctly computed; and • Birth outcomes are correctly documented in the participant case file triggering the capitation for the mother in AIM. (Additionally, AIM birth outcomes were tested for the period from July 1, 2009 through April 30, 2010). 		
5.1 Capitated participants are eligible for participation in the program. Information provided in the 820 capitation files corresponds to the information contained in the case management system.	<ul style="list-style-type: none"> • Obtained 100% of the AIM program birth outcomes for the period July 1, 2009 through April 30, 2010. • Selected a statistically valid sample from the AIM 820 files (Payment Order and Credit Advice) for the period July 1, 2009 through April 30, 2010 (the AIM capitation eligibility sample). • For the AIM capitation eligibility sample, traced the detailed participant information to the enrollment form image retained in the system. Attributes examined included: <ul style="list-style-type: none"> ▪ County of residence agrees to 820 county code; ▪ Income and family size on the application qualify participant for AIM; ▪ Plans selected per application or other documentation agree to the appropriate 820 capitation files; and ▪ Citizenship or immigration documentation is appropriately stored in the case file. ▪ Mother is not more than 30 weeks gestation at the time of application. ▪ Proof of pregnancy is appropriately stored in the case file. 	<p>Obtained without exception.</p> <p>Selected a sample from the capitation tables of thirty (30) records from a population of thirteen thousand five hundred and nine (13,509).</p> <p>Traced the sample noting the presence of appropriate documentation and completed application without exception.</p>

Components Tested	Procedures Performed by the Auditor	Results of Tests/Notes
	<ul style="list-style-type: none"> • Verified eligibility by manually re-computing eligibility based on the information contained on the application form. • Verified the existence of a lump sum payment where a birth outcome exists from the capitation records for the period of July 1, 2009 through April 30, 2010. To achieve this we: <ul style="list-style-type: none"> ▪ Obtained AIM participant information for the 8,693 participants enrolling in the AIM program between July 1, 2009 and April 30, 2010. ▪ Filtered the data eliminating participants where a lump sum capitation had been performed and still open with a pending expected date of delivery (EDD). Filtering resulted in a remaining 394 participants where further investigation was performed. 	<p>Verified the eligibility determination was correct for the selected sample without exception.</p> <p>Investigated the remaining participants noting the following exception: One (1) exception with three (3) instances (less than 1% (0.25%) of the 394 participants disenrolled) were noted where lump sum birth outcome capitation had not been made:</p> <ul style="list-style-type: none"> • One (1) case where the birth outcome had not been reported, but the participant had reached the 60th day past the Expected Delivery Date (EDD). The participant was disenrolled without lump sum capitation. • Two (2) cases where a miscarriage occurred after the 1st trimester (13th week), but the lump sum capitation had not occurred. <p>MAXIMUS Response: One (1) error for the birth outcome occurred when the outcome was reported by the participant but the process was not completed in the birth outcome screen. Problem Statement #67629 has been generated for corrective/preventive action plans, which include evaluating the effectiveness of the procedures to improve performance as well as enhancing the current process. As for the two (2) cases where the lump sum capitation had not occurred for a miscarriage after the first trimester, the incorrect first trimester calculation in the capitation logic caused the error. Prior to the audit, the capitation logic error was</p>

Components Tested	Procedures Performed by the Auditor	Results of Tests/Notes
		discovered through the internal QC process. To address the logic error, CAR #48418 was created. It is currently pending verification in production. The target completion date for the Post Implementation Review is August 27, 2010.